

(iii) The State Director will review the material, obtain the guidance of OGC prior to indicating approval or disapproval on Form FmHA or its successor agency under Public Law 103-354 465-1, and provide additional servicing instructions to the District Director.

(f) *Consent of lienholders.* Before FmHA or its successor agency under Public Law 103-354 consents to any transaction which affects its security or lien position, the written consent of any other lienholders must be obtained. The consent will include an agreement on the disposition of any funds resulting from the transaction and will be consistent with the respective loan program requirements.

[49 FR 49587, Dec. 21, 1984, as amended at 50 FR 39640, Sept. 30, 1985; 56 FR 2257, Jan. 22, 1991; 58 FR 40956, July 30, 1993]

§ 1965.62 [Reserved]

§ 1965.63 Issuance or transfer of stock, or change in membership, or membership interests in organizations indebted to FmHA or its successor agency under Public Law 103-354.

Organizations which may be indebted to FmHA or its successor agency under Public Law 103-354 include, but are not limited to: public bodies, broadly-based nonprofit corporations, nonprofit organizations of farmworkers, associations of farmers, RCH consumer cooperatives, profit and limited profit corporations, trusts, profit and limited profit general partnerships, and limited partnerships. This section describes the policy of FmHA or its successor agency under Public Law 103-354 in approving changes of members, ownership interest, and transfer or issuance of stock in these organizations, to determine the continued eligibility of the borrower entity. It *does not* apply to the sale or exchange of title to the security property, or the conversion from one form of ownership to another such as changing a general partnership to a limited partnership. Stock, partnership, or membership changes which the State Director is not authorized to approve under the conditions of this section will be submitted to the National Office for handling.

(a) *Profit and limited profit corporations, general partnerships, limited partnerships, and trusts.* Ownership changes

within the existing borrower entity will be processed as follows:

(1) Ownership changes totalling *100 percent* of the ownership interests in a project within any consecutive 12-month period will be treated as transfers and processed under the provisions of § 1965.65 of this subpart.

(2) Ownership changes in *excess of 50% but less than 100%* within the first five years of loan or assumption closing, will be subject to § 1965.65(a)(4) of this subpart which covers hardship provisions and the restrictions on subsequent changes. However, changes in only the limited partner interests in a limited partnership will not be subject to the restrictions of § 1965.65(a)(4) of this subpart when completed in accordance with the approved partnership agreement.

(3) Other ownership changes of 50% or less within any consecutive 12 month period will be processed without restriction.

(4) All changes of less than 100% will be processed according to paragraph (e) of this section.

(b) *Public bodies, broadly-based nonprofit corporations, or nonprofit organizations of farmworkers.* FmHA or its successor agency under Public Law 103-354 consent will not be required for broadly-based nonprofit corporations or nonprofit organizations of farmworkers indebted to FmHA or its successor agency under Public Law 103-354 to change or transfer membership. Each organization, however, must maintain the number and type of members required by its Articles of Incorporation and By-laws. Organizations will only permit membership changes as authorized by the organizational documents previously approved by FmHA or its successor agency under Public Law 103-354. Should the minimum number of required members in any organization fall below that prescribed by their organizational documents, the following actions will be taken:

(1) The District Director will provide the State Director with a complete written report of the circumstances, including the organization's plan for obtaining additional membership, and the continued operation of the project. The District Director should submit